

HIGHLAND PARK PROPERTY BUSINESS IMPROVEMENT DISTRICT

**HIGHLAND PARK
PROPERTY BUSINESS IMPROVEMENT
DISTRICT**

*Prepared pursuant to the City of Los Angeles' Landscaping, Security, Programming and Maintenance Property Business Improvement District (LSPM PBID) Ordinance
(Division 6, Chapter 9, Los Angeles Administrative Code)*

**DISTRICT
ASSESSMENT ENGINEER'S
REPORT**

ATTACHMENT A

*Prepared by
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July 2009

HIGHLAND PARK PROPERTY BUSINESS IMPROVEMENT DISTRICT

DISTRICT ASSESSMENT ENGINEER'S REPORT

To Whom It May Concern:

I hereby certify to the best of my professional knowledge and experience that each of the identified benefiting properties located within the proposed Highland Park Property Business Improvement District ("Highland Park PBID") being renewed for 10 years will receive a special benefit over and above the benefits conferred on the public at large and that the amount of the proposed assessment is proportional to, and no greater than the benefits conferred on each respective property.

Prepared by Edward V. Henning, California Registered Professional Engineer # 26549



Edward V. Henning

RPE #26549

July 27, 2009

Date

(NOT VALID WITHOUT SIGNATURE AND CERTIFICATION SEAL HERE)

Introduction

This report serves as the "detailed engineer's report" required by Section 4(b) of Article XIIIID of the California Constitution (Proposition 218) to support the benefit property assessments proposed to be levied within the Highland Park PBID in the City of Los Angeles, California being renewed for a 10 year period. The discussion and analysis contained within constitutes the required "nexus" of rationale between assessment amounts levied and special benefits derived by properties within the Highland Park PBID.

NOTE: The terminology "identified benefiting parcel" or "property" is used throughout this report pursuant to SB 919 - "Proposition 218 Omnibus Implementation Act" which clarified portions of Prop 218. It provides the Engineer and District Consultant with the ability to actually identify individual parcels which will specially benefit directly either in whole or in part from the proposed District funded programs and improvements and does not imply that all parcels receive assessable benefits.

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Background

The Highland Park PBID is a property-based benefit assessment type district being established pursuant to the City of Los Angeles' Landscaping, Security, Programming and Maintenance Property Business Improvement District (LSPM PBID) Ordinance (Division 6, Chapter 9, Los Angeles Administrative Code) ("the Code") which was fashioned in part from Section 36600 et seq. of the California Streets and Highways Code, also known as the Property and Business Improvement District Law of 1994 (the "Act"). Due to the benefit assessment nature of assessments levied within a PBID, district program costs are to be distributed amongst all identified benefiting properties based on the proportional amount of program benefit each property is expected to derive from the assessments collected. Within the Code and the Act, frequent references are made to the concept of relative "benefit" received from PBID programs and activities versus amount of assessment paid. Only those properties expected to derive special benefits from PBID funded programs and activities may be assessed and only in an amount proportional to the relative benefits expected to be received.

The method used to determine special benefits derived by each identified property within a PBID begins with the selection of a suitable and tangible basic benefit unit. For property related services, such as those proposed in the Highland Park PBID, the benefit unit may be measured in linear feet of primary street frontage or parcel size in square feet or building size in square feet or number of building floors or proximity to major corridors in average linear feet, or any combination of these factors. Quantity takeoffs for each parcel are then measured or otherwise ascertained. From these figures, the amount of benefit units to be assigned to each property can be calculated. Special circumstances such as unique geography, land uses, development constraints etc. are carefully reviewed relative to specific programs and improvements to be funded by the PBID in order to determine any levels of diminished benefit which may apply on a parcel-by-parcel or categorical basis.

Based on the factors described above such as geography and nature of programs and activities proposed, an assessment formula is developed which is derived from a singular or composite basic benefit unit factor or factors. Within the assessment formula, different factors may be assigned different "weights" or percentage of values based on their relationship to programs/services to be funded.

Next, all program and activity costs, including incidental costs, District administration and ancillary program costs, are estimated. It is noted, as stipulated in Proposition 218, and now required of all property based assessment Districts, indirect or general benefits may not be incorporated into the assessment formula and levied on the District properties; only direct or "special" benefits and costs may be considered. Indirect or general benefit costs, if any, must be identified and, if quantifiable, calculated and factored out of the assessment cost basis to produce a "net" cost figure. In addition, Proposition 218 no longer automatically exempts government owned property from being assessed and if special benefit is determined to be conferred upon such properties, they must be assessed in

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proportion to special benefits conferred in a manner similar to privately owned property assessments.

From this, the value of a basic benefit unit or “basic net unit cost” can be computed by dividing the total amount of estimated net program costs by the total number of benefit units. The amount of assessment for each parcel can be computed at this time by multiplying the Net Unit Cost times the number of Basic Benefit Units per parcel. This is known as “spreading the assessment” or the “assessment spread” in that all costs are allocated proportionally or “spread” amongst all properties within the PBID.

The method and basis of spreading program costs varies from one PBID to another based on local geographic conditions, types of programs and activities proposed, and size and development complexity of the District. CBDs may require secondary benefit zones to be identified to allow for a tiered assessment formula for variable or “stepped-down” benefits derived.

Supplemental Proposition 218 Procedures and Requirements

Proposition 218, approved by the voters of California in November of 1996, adds a supplemental array of procedures and requirements to be carried out prior to levying a property-based assessment like the Highland Park PBID. These requirements are in addition to requirements imposed by State and local assessment enabling laws. These requirements were “chaptered” into law as Article XIIIID of the California Constitution.

Since Prop 218 provisions will affect all subsequent calculations to be made in the final assessment formula for the Highland Park PBID, Prop 218 requirements will be taken into account. The key provisions of Prop 218 along with a description of how the Highland Park PBID complies with each of these provisions are delineated below.

(Note: All section references below pertain to Article XIII of the California Constitution):

Finding 1. From Section 4(a): “Identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed”

There are 150 “identified” parcels within the proposed Highland Park PBID that will derive special benefit from the proposed District programs and activities. The benefits are special and unique only to the identified properties within the proposed District because programs and services (i.e. right of way programs and corporate identity, organization and contingency/reserve) will only be provided directly for the identified properties. These identified benefiting parcels are located within the PBID perimeter boundary which is shown on the Boundary Map included in the Management District Plan and are listed as an attachment to the Plan and this Report - identified by assessor parcel number. There is a single benefit zone within the PBID.

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The boundaries of the Highland Park PBID generally include the core commercial area of Historic Highland Park. The district includes parcels fronting the northwest and southeast sides of North Figueroa Street, and is bounded on the southwest by Avenue 50 and on the northeast by Piedmont Avenue. Also included within the PBID boundaries are the peripheral public parking lots to the northwest and southeast of Figueroa Street, and the contiguous parcels between these public parking lots and those parcels fronting Figueroa Street. (See the Management District Plan for a detailed metes and bounds boundary legal description as well as a detailed District map).

It is noted that the proposed PBID renewal plan expands the eastern boundary along Figueroa St. from Avenue 61 to Piedmont Avenue because the properties in these blocks have similar marketing & PR, security, landscaping & maintenance, and advocacy needs as the properties within the current PBID boundaries.

DISTRICT BOUNDARY RATIONALE

The property uses with the general boundaries of the Highland Park PBID are a mix of retail, restaurant, services and parking. Services and improvements provided by the District are designed to provide special benefits to the retail, restaurant, services and parking parcels. All of the services provided, such as security and cleaning, are services that are over and above the City's baseline of services and are not provided by the City. Because of the unique nature of these services which focus on the particular needs of each identified property within the District, they also provide particular and distinct benefits to each of these identified benefiting parcels within the District. Services are not provided outside of the District nor adjacent to non-identified, non-benefiting parcels within the District.

In order to ensure that parcels outside of the District will not specifically benefit from the improvements and services funded the assessment, improvements and services will only be provided within the boundaries of the District. Specifically, security patrols, maintenance/sanitation personnel and similar service providers employed in connection with the District will only provide services on the streets and sidewalks within the District, and will not provide services outside of District boundaries. Furthermore, no services will be provided for non-identified, non-benefiting parcels within the District.

Northeastern Boundary: The northeastern boundary of the Highland Park PBID was determined by the fact that the area northeast of the intersection of Figueroa Street and Piedmont Avenue does not meet the criteria for an Alpha PBID. In order to ensure that parcels outside of the District will not specifically benefit from the improvements and services funded with the assessment, improvements and services will only be provided to the individually assessed parcels located within the District. Specifically, security patrols, maintenance/sanitation personnel and similar service providers employed in connection with the District will only patrol and provide services on the streets and sidewalks within the District, and will not provide services outside of District boundaries or adjacent to non-identified, non-assessed parcels within the District.

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Northwestern Boundary: The northwestern boundary of the Highland Park PBID was determined by the zoning and use of the parcels northeast of the District boundaries. The majority of the parcels northwest of the District's northwestern boundary are zoned residential and because of their residential use the parcels will not benefit from the District programs that are designed to improve commerce by providing special benefits to retail, restaurant, services and parking uses. In order to ensure that parcels outside of the District will not specifically benefit from the improvements and services funded with the assessment, improvements and services will only be provided to the individually assessed parcels located within the District. Specifically, security patrols, maintenance/sanitation personnel and similar service providers employed in connection with the District will only patrol and provide services on the streets and sidewalks within the District, and will not provide services outside of District or adjacent to non-identified, non-assessed parcels within the District.

Southwestern Boundary: The southwestern boundary of the Highland Park PBID was determined by the zoning and use of the parcels southwest of the District boundaries. The majority of the parcels southwest of the District's southwestern boundary are zoned residential and because of their residential use the parcels will not benefit from the District programs that are designed to improve commerce by providing special benefits to retail, restaurant, services and parking uses. In order to ensure that parcels outside of the District will not specifically benefit from the improvements and services funded with the assessment, improvements and services will only be provided to the individually assessed parcels located within the District. Specifically, security patrols, maintenance/sanitation personnel and similar service providers employed in connection with the District will only patrol and provide services on the streets and sidewalks within the District, and will not provide services outside of District boundaries or adjacent to non-identified, non-assessed parcels within the District.

Southeastern Boundary: The southeastern boundary of the Highland Park PBID was determined by the zoning and use of the parcels southeast of the District boundaries. The majority of the parcels southeast of the District's southeastern boundary are zoned residential because of their residential use the parcels will not benefit from the District programs that are designed to improve commerce by providing special benefits to retail, restaurant, services and parking uses. In order to ensure that parcels outside of the District will not specifically benefit from the improvements and services funded with the assessment, improvements and services will only be provided to the individually assessed parcels located within the District. Specifically, security patrols, maintenance/sanitation personnel and similar service providers employed in connection with the District will only patrol and provide services on the streets and sidewalks within the District, and will not provide services outside of District boundaries or adjacent to non-identified, non-assessed parcels within the District.

All identified parcels within the above-described boundaries will be assessed to fund special benefit services, programs and improvements as outlined in this report and the Management District Plan. PBID funded activities will only be provided to identified properties inside the District boundaries – none outside.

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It is noted that parcels used solely for residential purposes located within the PBID, in the opinion of this Engineer, will not benefit from the PBID programs which include security, maintenance, organization and corporate identity targeted specifically for non-residential uses. Thus, parcels used solely for residential purposes will not be assessed. Parcels with mixed uses will be fully assessed for non-residential building areas as well as residential building areas on the property since it is impossible to provide partial benefit to a single parcel. In the future, should the land use on any of the solely residential use/commercial zoned parcels convert from residential to non-residential, a full assessment will be levied in accordance with the assessment formula rates in effect at the time.

It is further noted that while the City of Los Angeles' LSPM PBID Ordinance does not specifically preclude levying assessments on properties zoned solely for residential use as does the State of California PBID law, it is hereby concluded that the same rule of logic shall apply. Therefore only commercial zoned and other non-residential zoned parcels shall be assessed to fund special benefit services as outlined in the Management Plan which will benefit proportionately to the proposed programs and services based on the proposed levels of service and the corresponding cost estimates.

Finding 2. From Section 4(a): "Separate general benefits (if any) from the special benefits conferred on parcel(s). Only special benefits are assessable."

As stipulated by Proposition 218, assessment District programs and activities may confer a combination of general and special benefits to properties, but the only program benefits that can be assessed are those that provide special benefit to the property owners. "Special benefit" as defined by the California State Constitution means a distinct benefit over and above general benefits conferred on real property located in the District or to the public at large. Special benefit must affect the assessed property in a way that is particular and distinct from its effect on other parcels and that real property in general and the public at large do not share." 'Public at large' is defined by the court as "all members of the public - including those that live, work and shop within the district - and not simply transient visitors." For the purposes of this analysis, the general benefit definition include those benefits "conferred generally on real property located in the district" and are not restricted to benefits conferred only on persons and property outside the assessment district.

The property uses within the boundaries of the PBID which will receive special benefits from PBID funded programs and services are a mix of retail, office, government and parking. Services, programs and improvements provided by the District are primarily designed to provide special benefits to identified non-residential parcels within the boundaries of the district. As previously mentioned, residential zoned parcels will receive no special benefits and thus will not be assessed.

Existing City of Los Angeles services will be enhanced, not replaced or duplicated, by PBID services. In the case of the Highland Park PBID, the very nature of the purpose of this District is to fund supplemental programs,

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improvements and services within the PBID boundaries above and beyond what is being currently funded either via normal tax supported methods or other funding sources. These services, programs and improvements, are designed to enhance the commercial core uses, increase tenancy and marketing of the non-residential entities in the PBID and improve the safety and aesthetic appearance of the PBID as a whole. All benefits derived from the assessments to be levied on parcels within the PBID are for services, programs and improvements directly benefiting the property owners within this area and support increased security, cleanliness, commerce, business attraction and retention, increased property rental income and improved District identity. No services will be provided beyond the PBID boundaries. The following services, programs and improvements will provide special benefit to the identified properties within the PBID boundaries.

RIGHT OF WAY PROGRAMS

Security Service Program

The Highland Park PBID Safety Program will provide security services for the parcels located within the District and can include the forms of patrolling bicycle personnel, nighttime vehicle personnel and walking patrols. The purpose of the Security Program is to prevent, deter and report illegal activities taking place on the streets, sidewalks, storefronts, parking lots and alleys. The presence of the Security Program is intended to deter such illegal activities as drug dealing, public urination, indecent exposure, trespassing, drinking in public, prostitution, illegal panhandling, illegal vending, and illegal dumping. The Security Program will supplement, not replace, other ongoing police, security and patrol efforts within the District. The Security Program will maintain communication with the Los Angeles Police Department (LAPD) area patrols and Los Angeles Sheriffs Dept. and intends to report illegal activities to the LAPD Northeast Division. The Security Program will only provide its services within the District boundaries. The special benefit to individual parcel owners within the district from these services is increased commercial activity within PBID boundaries.

- Private security over and above those services currently provided by the Los Angeles Police Department.

The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

Maintenance Program

In order to consistently deal with maintenance issues like graffiti, trash and bulky items, the Maintenance Program, which began in 2001 will be continued and expanded. In order to effectively deal with the many maintenance issues, in the District, a multi-dimensional approach has been developed consisting of the following elements: trash collection, sidewalk maintenance, graffiti removal, weed abatement, tree trimming and landscaping, paper sign and handbill removal, special collections, maintenance problems requiring third party intervention, design elements, special projects and right of way consulting. The clean team will only provide service to properties within District boundaries. The special benefit to property owners from these services is increased commerce through the attraction of pedestrians, commercial leases and retention of commercial leases for parcels within PBID boundaries. The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

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Sidewalk Maintenance

Uniformed, radio equipped personnel sweep litter, debris and refuse from sidewalks and gutters within the PBID boundaries. The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

Trash Collection

Collect trash from sidewalk trash receptacles and maintenance. The clean team and safe team each have responsibility in this area. Safety personnel encourage and report property and business owners' compliance of City code issues relating to cleanliness of sidewalks, alleys and illegal dumping. The clean team clears the alley of debris when a responsible party cannot be found for illegal dumping or other violations within the PBID boundaries. The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

Graffiti Removal

Uniform personnel remove graffiti by painting, using solvent and pressure washing. The District maintains a zero tolerance graffiti policy. An effort is made to remove all tags within 24 hours weekdays within the PBID boundaries. The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

Weed Abatement

Weeds are removed as they become unsightly or by special request within the PBID boundaries. The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

Tree Trimming and Landscaping

Trees are trimmed on a schedule determined by District personnel and as funds are available within the PBID boundaries. The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

Paper Sign and Handbill Removal

Paper signs and handbills that are scotch taped or glued on public property, utility boxes, poles and telephones are removed by hand or when necessary by high-pressure hose within the PBID boundaries. The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

Special Collections

District trucks are called to assist LAPD to dispose of illegal food vendors' inventory. They are also dispatched to collect stolen shopping carts and large bulky items illegally dumped within the PBID boundaries. The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

Maintenance Problems Requiring Third Party Intervention

Problems are monitored that create blighted or unsafe conditions within the District, but are not within the authority/jurisdiction of the PBID to repair or correct. Requests are made to the responsible party/agency for the

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repair within the Highland Park PBID boundaries. Types of problems include blocked or damaged sewers or drains, damaged sidewalks/streets/alleys, non-operating streetlights, damaged or missing street signs, etc within the PBID boundaries. The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

Design Elements

Design, installation and maintenance of gateway signs; design, installation and maintenance of banner brackets and banner production; design and branding of logo development; design, purchase, install and maintain street furniture and streetscape; purchase, installation, removal and maintenance of holiday decoration program within the PBID boundaries. The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

Special Projects

The special projects budget is reserved for opportunities and additional projects that present themselves during the life of the District. Some special projects that have been implemented by the PBID and may be again are as follows: WiFi, Northeast Los Angeles Holiday Parade; Old LA Certified Farmers Market; and relevant Right of Way activities within the PBID boundaries. All special projects are designed to enhance the assets and the image of the District. Special project funds will only be used to specially benefit parcels within the District. The benefit to individual parcels within the District from these services is increased commercial activity and increase in the attraction of pedestrians from transit ridership, which directly relates to increases in lease rates and enhanced commerce. The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

Right of Way Consulting

Develop strategies for economic development and possible expansion; developing goals and an annual plan of action for the implementation of revitalization goals; develop strategies related to business attraction, retention and promotion of the area to prospective businesses; private and public grant funds to facilitate the work of the corporation. The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

These maintenance and extended right of way activities are designed to increase commerce and attract and retain new business and patrons within the PBID boundaries. These services, programs and improvements will beautify and enhance the image of the PBID. The benefit to property owners from these services is creation of a cleaner and well designed environment for businesses, employees, visitors and shoppers. In turn, stakeholder investments will be protected and increased commerce and positive neighborhood activity will result. Because these services, programs and improvements will only be provided within the PBID boundaries, they will each constitute "special benefits" to the identified assessed parcels.

ORGANIZATION AND CORPORATE IDENTITY PROGRAMS

It is important to not only provide the services needed in the District, but to tell the story of improvement in the

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District. The benefits to individual parcels within the District from these services are increased commercial activity, which directly relates to increase in lease rates and enhanced commerce. To tell the story the PBID will utilize communication/branding programs currently in place or being considered are: quarterly newsletter, Highland Park PBID website, shopping map and restaurant guide. The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

Organization

Administration and Corporate Operations:

The Highland Park PBID improvements and activities are managed by a professional staff and require administrative support. Management staff oversees the District's services which are delivered seven days a week. The benefit to individual parcels within the District from these services is increased commercial activity, which directly relates to increases in lease rates and enhanced commerce.

Examples of these special benefit services include, but are not limited to:

- Staff and administrative costs
- Insurance
- Office related expenses
- Financial reporting

The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

Corporate Identity Programs

The benefit to individual parcels within the District from these services is increased commercial activity which directly relates to increases in lease rates and enhanced commerce. Some of the Corporate Identity programs currently in place or being considered are: image and communication programs, quarterly newsletter, Highland Park PBID Web Site, holiday campaign, Buyer Attraction Program, Public and Media Relations, Development of Highland Park PBID Image Pieces, Banner Programs, Market Research, Old L.A. Branding, Old L.A. Certified Farmers Market, Other Relevant Marketing and Promotion activities. The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

This organization and corporate identity activity is designed to increase commerce, enhance image and attract new patrons within the PBID boundaries. This component is key to the proper expenditure of PBID assessment funds and the administration of PBID programs and activities which are intended to promote business within the PBID boundaries through increased commerce and the attraction and retention of new business. Because these services and programs exist only for the purposes of the PBID and will only be provided for matters occurring within the PBID boundaries, this program constitutes a "special benefit" to the assessed parcels.

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Contingency/Reserve

Costs to conduct a yearly financial review as well as City and County fees, uncollectible assessments, hardship credits and depreciation are included in this budget item. Also included are costs to renew the District. The above services will only be provided to the individual assessed parcels within the PBID boundaries and therefore parcels outside of the boundaries will not receive special benefit.

In conclusion, relative to the PBID funded work program, all of the above areas of services, activities and improvements work together to create a more pleasing environment within the district that is conducive to strengthening the current and future economic vitality of this area through the attraction and retention of new business, increased commerce and enhanced experiences for shoppers, visitors and workers. The programs, improvements and services are designed to specifically benefit identified properties within the PBID boundaries. The proposed PBID assessments will only be levied on identified properties within the PBID boundaries and assessment revenues will be spent to deliver services that provide a direct and special benefit to assessed parcels and to improve the economic vitality of these properties. Inasmuch as no services will be provided beyond the PBID boundaries to the surrounding communities or to the public in general, any general benefit is unintentional. It is hereby determined that general benefits, if any, are not quantifiable, measurable, or tangible.

It is noted that parcels used solely for residential purposes located within the PBID, in the opinion of this Engineer, will not benefit from the PBID programs which include security, maintenance, organization and corporate identity targeted specifically for non-residential uses. Thus, parcels used solely for residential purposes will not be assessed. Parcels with mixed uses will be fully assessed for non-residential building areas as well as residential building areas on the property since it is impossible to provide partial benefit to a single parcel. In the future, should the land use on any of the solely residential use/commercial zoned parcels convert from residential to non-residential, a full assessment will be levied in accordance with the assessment formula rates in effect at the time.

It is further noted that while the City of Los Angeles' LSPM PBID Ordinance does not specifically preclude levying assessments on properties zoned solely for residential use as does the State of California PBID law, it is hereby concluded that the same rule of logic shall apply. Therefore only commercial zoned and other non-residential zoned parcels shall be assessed to fund special benefit services as outlined in the Management Plan which will benefit proportionately to the proposed programs and services based on the proposed levels of service and the corresponding cost estimates.

Finding 3. From Section 4(a): "(Determine) the proportionate special benefit derived by each parcel in relationship to the entirety of the.....cost of public improvement(s) or the maintenance and operation expenses.....or the cost of the property related service being provided.

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Each identified parcel within the district will be assessed based on property characteristics unique only to that parcel. The calculated assessment rates are applied to the actual measured parameters of each parcel and thereby are proportional to each and every other identified parcel within the district as a whole. Larger parcels, ones with larger street frontages and/or larger building areas are expected to impact the demand for services and programs to a greater extent than smaller ones and thus are assigned a higher proportionate degree of assessment program and service costs. The proportionality is further achieved by setting targeted formula component weights for the respective parcel by parcel identified land attributes.

The proportionate special benefit cost for each parcel has been calculated based on optimum proportionate formula components and is listed as an attachment to the Management District Plan and this Report. The individual percentages (i.e. proportionate relationship to the total special benefit related program and activity costs) is computed by dividing the individual parcel assessment by the total special benefit program costs.

Finding 4. From Section 4(a): “No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel.”

Not only are the proposed program costs reasonable due to the benefit of group purchasing and contracting which would be possible through the Highland Park PBID, they are also considerably less than other options considered by the Highland Park PBID proponent group. The actual assessment rate for each parcel within the PBID directly relate to the level of service to be provided based on the respective lot size and street frontage of each parcel, and their respective amount of gross building area.

Finding 5. From Section 4(a): “Parcels.....that are owned or used by any (public) agency shall not be exempt from assessment.....”

There are 22 publicly owned parcels which shall receive benefits, commensurate with the assessments paid into the Highland Park PBID. There is no compelling evidence that publicly owned parcels would not benefit equally to privately owned parcels and, thus, will be assessed in the same manner and rates as private parcels in the PBID.

| APN | LEGAL OWNER | YEAR 1 ASSMT | % of TOTAL |
|--------------|---------------------|--------------|------------|
| 5468-025-900 | CITY OF LOS ANGELES | \$1,587.42 | 0.44% |
| 5468-025-901 | CITY OF LOS ANGELES | \$652.40 | 0.18% |
| 5468-032-901 | CITY OF LOS ANGELES | \$2,201.50 | 0.61% |
| 5468-032-902 | CITY OF LOS ANGELES | \$1,382.50 | 0.38% |
| 5468-032-903 | CITY OF LOS ANGELES | \$332.80 | 0.09% |
| 5468-033-900 | CITY OF LOS ANGELES | \$1,202.54 | 0.33% |

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|--------------|---------------------------------|--------------------|--------|
| 5468-033-901 | CITY OF LOS ANGELES | \$1,202.54 | 0.33% |
| 5468-033-902 | CITY OF LOS ANGELES | \$724.50 | 0.20% |
| 5468-033-903 | CITY OF LOS ANGELES | \$1,303.50 | 0.36% |
| 5492-001-900 | CITY OF LOS ANGELES | \$3,982.00 | 1.10% |
| 5492-001-901 | CITY OF LOS ANGELES | \$2,150.00 | 0.59% |
| 5492-001-902 | CITY OF LOS ANGELES | \$1,238.25 | 0.34% |
| 5492-002-900 | CITY OF LOS ANGELES | \$1,231.75 | 0.34% |
| 5492-002-901 | CITY OF LOS ANGELES | \$276.40 | 0.08% |
| 5492-011-900 | CITY OF LOS ANGELES | \$947.50 | 0.26% |
| 5492-011-901 | CITY OF LOS ANGELES | \$947.50 | 0.26% |
| 5492-012-900 | CITY OF LOS ANGELES | \$2,940.00 | 0.81% |
| 5492-013-900 | CITY OF LOS ANGELES / FIRE DEPT | \$2,423.90 | 0.67% |
| 5492-024-900 | CITY OF LOS ANGELES | \$5,670.00 | 1.57% |
| 5492-025-900 | CITY OF LOS ANGELES | \$20,419.35 | 5.65% |
| 5492-025-901 | CITY OF LOS ANGELES | \$7,797.90 | 2.16% |
| | Subtotal = | \$60,614.25 | 16.76% |
| 5492-025-902 | LACMTA | \$1,030.50 | 0.28% |
| | Total = | \$61,644.75 | 17.05% |

Finding 6. From Section 4(b): “All assessments must be supported by a detailed engineer’s report prepared by a registered professional engineer certified by the State of California”.

This report serves as the “detailed engineer’s report” to support the benefit property assessments proposed to be levied within the Highland Park PBID.

Finding 7. From Section 4(c): “The amount of the proposed assessment for each parcel shall be calculated (along with) the total amount thereof chargeable to the entire district, the duration of such payments, the reason for such assessment and the basis upon which the amount of the proposed assessment was calculated.”

The individual and total parcel assessments attributable to special property benefits are shown on Appendix 1 to the Management District Plan and this Report. The District and resultant assessment payments will continue for 10 years and may be renewed again at that time. The reasons (purposes) for the proposed assessments are outlined in Finding 2 above as well as in the Management District Plan. The calculation basis of the proposed assessment is attributed to land area, street frontage and for non-residential uses, gross building area. There is a single benefit zone.

Assessment Formula Methodology

Step 1. Select “Basic Benefit Unit(s)”

PBID assessment formulas typically are based on either property street frontage or parcel and building size or location, all which relate to the amount of special benefit conferred on a particular parcel and the proportionate

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assessment to be paid. The formula may base assessments on a single factor or a combination of factors.

Based on the specific needs and corresponding nature of the program activities to be funded by the Highland Park PBID (i.e. right of way programs and corporate identity, organization and contingency/reserve) it is the opinion of this Assessment Engineer that the assessment factors on which to base assessment rates relate directly to the proportionate amount of land area, street frontage and gross building area. It is noted that street frontage primarily includes only the property widths facing Figueroa Street including any property corner cuts or radii dimensions. Side or rear street frontages are not counted since no services will be extended or provided along these other streets frontages. A few exceptions occur where the District will be providing extended property perimeter services to certain City owned public parking lots and other City facilities and multiple street frontages will be assessed.

For non-residential uses, the interactive application of land area; street frontage and building area quantities are a proven method of fairly and equitably spreading special benefit costs to these primary beneficiaries (non-residential uses) of PBID funded services, programs and improvements. Each of these factors directly relates to the degree of benefit each parcel will receive from PBID funded activities. Land area is a direct measure of the current and future development capacity of each parcel and its corresponding impact or draw on PBID funded activities such as security; landscape and maintenance; marketing & public relations; new business attraction; advocacy & administration. In the opinion of this Assessment Engineer, the targeted weight of this factor, land area, should generate approximately 40% of the total PBID revenue. Street frontage is a direct measure of the static utilization of each parcel and its corresponding impact or draw on PBID funded activities such as maintenance and physical amenities. In the opinion of this Assessment Engineer, the targeted weight of this factor, street frontage, should generate approximately 30% of the total PBID revenue. Gross building area is a direct measure of the current development utilization of each parcel and its corresponding impact or draw on PBID funded activities such as security; landscape and maintenance; marketing & public relations; new business attraction; advocacy & administration. In the opinion of this Assessment Engineer, the targeted weight of this factor, gross building area, should generate approximately 30% of the total PBID revenue.

It is noted that parcels used solely for residential purposes located within the PBID, in the opinion of this Engineer, will not benefit from the PBID programs which include security, maintenance, organization and corporate identity targeted specifically for non-residential uses. Thus, parcels used solely for residential purposes will not be assessed. Parcels with mixed uses will be fully assessed for non-residential building areas as well as residential building areas on the property since it is impossible to provide partial benefit to a single parcel. In the future, should the land use on any of the solely residential use/commercial zoned parcels convert from residential to non-residential, a full assessment will be levied in accordance with the assessment formula rates in effect at the time.

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It is further noted that while the City of Los Angeles' LSPM PBID Ordinance does not specifically preclude levying assessments on properties zoned solely for residential use as does the State of California PBID law, it is hereby concluded that the same rule of logic shall apply. Therefore only commercial zoned and other non-residential zoned parcels shall be assessed to fund special benefit services as outlined in the Management Plan which will benefit proportionately to the proposed programs and services based on the proposed levels of service and the corresponding cost estimates.

The "Basic Benefit Units" will be expressed as a combined function of land square footage (Benefit Unit "A"), street frontage (Benefit Unit "B") and gross building area (Benefit Unit "C"). Based on the shape of the Highland Park PBID, as well as the nature of the District program elements, it is determined that all properties will gain a direct and proportionate degree of benefit based on the respective amount of parcel size, street frontage and gross building area within a single benefit zone.

Step 2. Quantify Total Basic Benefit Units

Taking into account all identified benefiting properties and their respective assessable benefit units, there are 1,803,275 Benefit Units A, 13,454 Benefit Units B and 807,688 Benefit Units C.

Step 3. Calculate Benefit Units for Each Property.

The number of Benefit Units for each identified benefiting parcel within the Highland Park PBID was computed from data extracted from City of Los Angles land records as well as County Assessor records and maps. These data sources delineate current land uses, property areas and dimensions of record for each tax parcel. While it is understood that this data does not represent legal field survey measurements or detailed title search of recorded land subdivision maps or building records, it does provide an acceptable basis for the purpose of calculating property based assessments. All respective property data being used for assessment computations will be provided to each property owner in the PBID for their review. All known or reported discrepancies, errors or misinformation will be corrected.

Step 4. Determine Assessment Formula

Based on the nature of the programs to be funded as well as other rationale outlined in Step 1 above, it has been determined that the Highland Park PBID assessments will be based on land area, street frontage and gross building area. The targeted assessment formula component weights are: 40% for Benefit Unit A - land area (39.8947% when adjusted), 30% (28.8348% when adjusted) for Benefit Unit B - street frontage and 30% for Benefit Unit C – gross building area (31.2705% when adjusted).

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Computing Assessment Formula Unit Costs:

(Benefit Unit "A") = \$361,606.82 x 39.8947% / 1,803,275 sq ft = \$0.08/sq ft of land area

(Benefit Unit "B") = \$361,606.82 x 28.8348% / 13,454 lin ft = \$7.75/lin ft of street frontage

(Benefit Unit "C") = \$361,606.82 x 31.2705% / 807,688 sq ft = \$0.14/sq ft of gross building area

The assessment formula for non-residential parcels is:

Land Area (sq ft) x \$0.08/sq ft +

Street Frontage (lin ft) x \$7.75/lin Ft +

Gross bldg area (sq ft) x \$0.14/sq ft

It is noted that parcels with solely residential uses will not be assessed while those with mixed uses will be assessed for all building areas.

Step 5. Estimate Total District Costs

The total District costs for Year 1 of the PBID are projected to be as shown below in Table 1.

TABLE 1
Total Year 1 District Costs

| Program or activity funded by the Highland Park PBID | Approximate% of Year 1 Budget | Estimated Year 1 Costs |
|---|--|-----------------------------------|
| Right of Way Programs | 65% | \$235,044.43 |
| Corporate Identity and Organization | 35% | \$126,562.39 |
| Total | 100% | \$361,606.82 |

Step 6. Separate General Benefits from Special Benefits and Related Costs (Prop 218)

All benefits derived from the assessments outlined in the Management District Plan and this Report are for supplemental services, programs and improvements directly benefiting the identified properties within the PBID. All PBID funded activities are provided solely to properties within the Highland Park PBID. All services will be delivered only within the boundaries and designed only for the direct special benefit of the identified assessed properties in the PBID. No services will be provided to non-assessed parcels outside the PBID boundaries. Any potential spill over effect is unquantifiable as previously discussed in this report. Thus, all general benefits (if any) within or outside of the PBID, are inadvertent, intangible and immeasurable. Total District revenues are shown below in Table 2.

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TABLE 2
Total Year 1 District Revenues

| Funding Source | Revenue | % of Total |
|-------------------------------|---------------------|----------------|
| PBID Assessments | \$361,606.82 | 100.00% |
| TOTAL DISTRICT REVENUE | \$361,606.82 | 100.00% |

Step 7. Calculate “Basic Unit Cost”

With a Year 1 budget of \$361,606.82 (special benefit only), the Basic Unit Costs are shown above in Step 4. Since the PBID is being established for a 10 year term, maximum assessments for future years (Years 2 through 10) must be set at the inception of the PBID. *An annual flat inflationary assessment rate increase of up to 5% may be imposed each year for Years 2-10*, on approval by the PBID Property Owner’s Association. The maximum assessment rates for Years 1-10 are shown below in Table 3.

TABLE 3
Year 1-10 Maximum District Assessment Rates (assumes 5% annual increase)

| | YR 1 | YR 2 | YR 3 | YR 4 | YR 5 | YR 6 | YR 7 | YR 8 | YR 9 | YR 10 |
|-----------------------------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|
| Land Area Rate (per SF) | \$0.0800 | \$0.0840 | \$0.0882 | \$0.0926 | \$0.0972 | \$0.1021 | \$0.1072 | \$0.1126 | \$0.1182 | \$0.1241 |
| Frontage Rate (per LF) | \$7.7500 | \$8.1375 | \$8.5444 | \$8.9716 | \$9.4202 | \$9.8912 | \$10.3857 | \$10.9050 | \$11.4503 | \$12.0228 |
| Building Area Rate (per SF) | \$0.1400 | \$0.1470 | \$0.1544 | \$0.1621 | \$0.1702 | \$0.1787 | \$0.1876 | \$0.1970 | \$0.2068 | \$0.2172 |

Step 8. Spread the Assessments

The resultant assessment spread calculation results for each parcel within the PBID are shown in the Management District Plan and were determined by applying the District assessment formula to each identified benefiting property.

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APPENDIX 1

**YEAR 1
ASSESSMENT ROLL**

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Private Parcels

| | | | |
|--------------|--------------------|--------------|---------------------|
| APN | ANNUAL ASMT | 5468-021-024 | \$2,384.64 |
| | | 5468-021-025 | \$4,178.81 |
| 5468-003-004 | \$0.00 | 5468-021-030 | \$5,662.40 |
| 5468-003-005 | \$0.00 | 5468-021-031 | \$16,690.16 |
| 5468-003-007 | \$1,322.70 | 5468-024-007 | \$2,546.50 |
| 5468-003-008 | \$1,353.94 | 5468-024-008 | \$4,590.66 |
| 5468-003-020 | \$3,146.65 | 5468-024-009 | \$2,389.10 |
| 5468-003-021 | \$1,042.50 | 5468-024-010 | \$3,847.80 |
| 5468-004-006 | \$3,354.94 | 5468-025-001 | \$1,895.85 |
| 5468-004-007 | \$2,136.20 | 5468-025-002 | \$611.00 |
| 5468-004-008 | \$2,581.40 | 5468-025-003 | \$2,173.35 |
| 5468-004-009 | \$3,651.97 | 5468-025-004 | \$801.00 |
| 5468-005-032 | \$1,783.88 | 5468-025-005 | \$1,091.02 |
| 5468-005-042 | \$2,837.78 | 5468-025-016 | \$2,000.58 |
| 5468-005-044 | \$4,223.64 | 5468-025-017 | \$652.40 |
| 5468-005-045 | \$23,212.01 | 5468-025-027 | \$1,143.30 |
| 5468-014-001 | \$1,127.56 | 5468-026-001 | \$1,204.34 |
| 5468-014-002 | \$1,029.84 | 5468-026-012 | \$3,184.74 |
| 5468-014-003 | \$1,647.24 | 5468-026-013 | \$3,280.28 |
| 5468-014-028 | \$5,622.42 | 5468-026-021 | \$1,036.80 |
| 5468-015-001 | \$1,825.82 | 5468-026-023 | \$2,093.48 |
| 5468-015-002 | \$1,642.34 | 5468-032-001 | \$5,008.54 |
| 5468-015-003 | \$1,211.28 | 5468-032-014 | \$1,887.50 |
| 5468-015-015 | \$1,043.28 | 5468-032-015 | \$1,327.50 |
| 5468-015-016 | \$1,804.17 | 5468-032-016 | \$1,411.50 |
| 5468-015-033 | \$1,256.08 | 5468-032-017 | \$1,646.00 |
| 5468-016-001 | \$3,961.22 | 5468-032-018 | \$3,103.00 |
| 5468-016-002 | \$1,086.25 | 5468-033-015 | \$1,158.64 |
| 5468-016-035 | \$1,010.34 | 5468-033-016 | \$2,541.00 |
| 5468-016-040 | \$1,638.99 | 5468-033-017 | \$1,700.16 |
| 5468-016-043 | \$1,265.62 | 5468-033-018 | \$844.35 |
| 5468-017-001 | \$888.89 | 5468-033-019 | \$2,809.41 |
| 5468-017-023 | \$1,426.46 | 5468-033-020 | \$3,269.67 |
| 5468-017-024 | \$1,246.07 | 5468-033-021 | \$5,305.14 |
| 5468-017-025 | \$1,082.62 | 5468-033-023 | \$1,515.70 |
| 5468-017-027 | \$1,257.82 | 5492-001-007 | \$887.50 |
| 5468-017-028 | \$1,441.10 | 5492-001-012 | \$1,687.50 |
| 5468-017-031 | \$1,596.72 | 5492-001-013 | \$1,617.50 |
| 5468-020-002 | \$1,375.90 | 5492-001-014 | \$805.25 |
| 5468-020-003 | \$1,457.08 | 5492-001-015 | \$2,037.50 |
| 5468-020-013 | \$1,840.30 | 5492-001-016 | \$2,947.50 |
| 5468-020-014 | \$1,232.28 | 5492-001-017 | \$1,491.50 |
| 5468-020-015 | \$5,729.84 | 5492-001-018 | \$1,205.65 |
| 5468-020-025 | \$2,263.00 | 5492-002-008 | \$53.24 |
| 5468-021-014 | \$2,134.12 | 5492-002-013 | \$117.50 |
| | | | \$299,962.07 |

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Government Parcels

| APN | YEAR 1 ASSM'T |
|--------------|--------------------|
| 5468-025-900 | \$1,587.42 |
| 5468-025-901 | \$652.40 |
| 5468-032-901 | \$2,201.50 |
| 5468-032-902 | \$1,382.50 |
| 5468-032-903 | \$332.80 |
| 5468-033-900 | \$1,202.54 |
| 5468-033-901 | \$1,202.54 |
| 5468-033-902 | \$724.50 |
| 5468-033-903 | \$1,303.50 |
| 5492-001-900 | \$3,982.00 |
| 5492-001-901 | \$2,150.00 |
| 5492-001-902 | \$1,238.25 |
| 5492-002-900 | \$1,231.75 |
| 5492-002-901 | \$276.40 |
| 5492-011-900 | \$947.50 |
| 5492-011-901 | \$947.50 |
| 5492-012-900 | \$2,940.00 |
| 5492-013-900 | \$2,423.90 |
| 5492-024-900 | \$5,670.00 |
| 5492-025-900 | \$20,419.35 |
| 5492-025-901 | \$7,797.90 |
| 5492-025-902 | \$1,030.50 |
| | \$61,644.75 |